

<i>SERFF Tracking Number:</i>	<i>STLR-125555508</i>	<i>State:</i>	<i>Arkansas</i>
<i>First Filing Company:</i>	<i>Manufacturers Alliance Insurance Company, ...</i>	<i>State Tracking Number:</i>	<i>#426035 \$50</i>
<i>Company Tracking Number:</i>	<i>08-0217-AR124</i>		
<i>TOI:</i>	<i>16.0 Workers Compensation</i>	<i>Sub-TOI:</i>	<i>16.0004 Standard WC</i>
<i>Product Name:</i>	<i>Large Deductible Rating Program</i>		
<i>Project Name/Number:</i>	<i>08-0217-AR124/08-0217-AR124</i>		

Filing at a Glance

Companies: Manufacturers Alliance Insurance Company, Pennsylvania Manufacturers' Association Insurance Company, Pennsylvania Manufacturers Indemnity Company

Product Name: Large Deductible Rating Program SERFF Tr Num: STLR-125555508 State: Arkansas

TOI: 16.0 Workers Compensation	SERFF Status: Closed	State Tr Num: #426035 \$50
Sub-TOI: 16.0004 Standard WC	Co Tr Num: 08-0217-AR124	State Status: Fees verified and received

Filing Type: Rule	Co Status:	Reviewer(s): Betty Montesi, Carol Stiffler, Brittany Yielding
	Author: Linda Greer	Disposition Date: 04/08/2008
	Date Submitted: 03/19/2008	Disposition Status: Approved

Effective Date Requested (New): 07/01/2008	Effective Date (New): 07/01/2008
Effective Date Requested (Renewal): 07/01/2008	Effective Date (Renewal):

State Filing Description:

The company sent \$125 for this filing instead of \$50 for a form filing. However, they didn't send the correct amount for the rate filing. This check will offset the additional amount for the rate filing.

General Information

Project Name: 08-0217-AR124	Status of Filing in Domicile:
Project Number: 08-0217-AR124	Domicile Status Comments:
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 04/08/2008	
State Status Changed: 03/25/2008	Deemer Date:
Corresponding Filing Tracking Number:	

Filing Description:

At this time, Pennsylvania Manufacturers' Association Insurance Company (NAIC #12262) Manufacturers Alliance Insurance Company (NAIC #36897) and Pennsylvania Manufacturers Indemnity Company (NAIC #41424), members of The PMA Insurance Group, submit its Large Deductible Rating Program. It is our intention to implement this program on

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workers' compensation policies effective on or after July 1, 2008.

Attached for your review are the following:

- Large Deductible Rules
- Actuarial Explanatory Memorandum
- Filing Memorandum
- Large Deductible Exhibit

A copy of Deductible Reimbursement Endorsement #WC 99 06 23A has been filed under separate cover.

Company and Contact

Filing Contact Information

Linda Greer, Senior Underwriting Analyst	Linda_Greer@pmagroup.com
380 Sentry Parkway	(610) 397-5226 [Phone]
Blue Bell, PA 19422-0754	

Filing Company Information

Manufacturers Alliance Insurance Company	CoCode: 36897	State of Domicile: Pennsylvania
380 Sentry Parkway	Group Code: 767	Company Type:
P. O. Box 3031		
Blue Bell, PA 19422-0754	Group Name:	State ID Number:
(610) 397-5462 ext. [Phone]	FEIN Number: 23-2086596	

Pennsylvania Manufacturers' Association	CoCode: 12262	State of Domicile: Pennsylvania
Insurance Company		
380 Sentry Parkway	Group Code: 767	Company Type:
P. O. Box 3031		
Blue Bell, PA 19422-0754	Group Name:	State ID Number:
(610) 397-5462 ext. [Phone]	FEIN Number: 23-1642962	

Pennsylvania Manufacturers Indemnity	CoCode: 41424	State of Domicile: Pennsylvania
Company		
380 Sentry Parkway	Group Code: 767	Company Type:
P. O. Box 3031		
Blue Bell, PA 19422-0754	Group Name:	State ID Number:

SERFF Tracking Number: STLR-125555508 State: Arkansas
First Filing Company: Manufacturers Alliance Insurance Company, ... State Tracking Number: #426035 \$50
Company Tracking Number: 08-0217-AR124
TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC
Product Name: Large Deductible Rating Program
Project Name/Number: 08-0217-AR124/08-0217-AR124

(610) 397-5462 ext. [Phone] FEIN Number: 23-2217934

SERFF Tracking Number: STLR-125555508 State: Arkansas

First Filing Company: Manufacturers Alliance Insurance Company, ... State Tracking Number: #426035 \$50

Company Tracking Number: 08-0217-AR124

TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC

Product Name: Large Deductible Rating Program

Project Name/Number: 08-0217-AR124/08-0217-AR124

Filing Fees

Fee Required? Yes

Fee Amount: \$50.00

Retaliatory? No

Fee Explanation:

Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Manufacturers Alliance Insurance Company	\$0.00	03/19/2008	
Pennsylvania Manufacturers' Association Insurance Company	\$0.00	03/19/2008	
Pennsylvania Manufacturers Indemnity Company	\$0.00	03/19/2008	

CHECK NUMBER	CHECK AMOUNT	CHECK DATE
426035	\$50.00	03/18/2008

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Approved	Carol Stiffler (FM)	04/08/2008	04/08/2008
Approved	Carol Stiffler	04/03/2008	04/03/2008

Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	Created By	Created On	Date Submitted	Responded By	Created On	Date Submitted
Pending Industry Response	Carol Stiffler	04/03/2008	04/03/2008	Linda Greer	04/04/2008	04/04/2008
Pending Industry Response	Carol Stiffler	04/02/2008	04/02/2008	Linda Greer	04/02/2008	04/02/2008
Pending Industry Response	Carol Stiffler	03/19/2008	03/19/2008			

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Disposition

Disposition Date: 04/08/2008
Effective Date (New): 07/01/2008
Effective Date (Renewal):
Status: Approved
Comment:

Rate data does NOT apply to filing.

Overall Rate Information for Multiple Company Filings

Overall Percentage Rate Indicated For This Filing	0.000%
Overall Percentage Rate Impact For This Filing	0.000%
Effect of Rate Filing-Written Premium Change For This Program	\$0
Effect of Rate Filing - Number of Policyholders Affected	0

SERFF Tracking Number: STLR-125555508 State: Arkansas

First Filing Company: Manufacturers Alliance Insurance Company, ... State Tracking Number: #426035 \$50

Company Tracking Number: 08-0217-AR124

TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC

Product Name: Large Deductible Rating Program

Project Name/Number: 08-0217-AR124/08-0217-AR124

Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Approved	Yes
Supporting Document	NAIC Loss Cost Filing Document for Workers' Compensation	Approved	Yes
Supporting Document	NAIC loss cost data entry document	Approved	Yes
Supporting Document	Response Letter	Approved	Yes
Form	Arkansas Deductible Reimbursement Supplemental Endorsement	Approved	Yes
Rate	Filing Memo	Approved	Yes
Rate (revised)	Rules	Approved	Yes
Rate	Rules	Withdrawn	No
Rate	Rules	Withdrawn	No
Rate	Actuarial Explanatory Memo	Approved	Yes
Rate	Exhibit	Approved	Yes

SERFF Tracking Number:	STLR-125555508	State:	Arkansas
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Product Name: Large Deductible Rating Program
Project Name/Number: 08-0217-AR124/08-0217-AR124

Objection Letter

Objection Letter Status Pending Industry Response
Objection Letter Date 04/03/2008
Submitted Date 04/03/2008
Respond By Date
Dear Linda Greer,

This will acknowledge receipt of the captioned filing.

Linda, after I closed the filing and tried to do a PDF Pipeline, I realized that one of the documents attached to the Rate/Rule Schedule--Program Rules-AR1-is not a pdf. It is a .doc and that will not process in the PDF Pipeline. If you can attach it in a pdf format, I can reclose the filing.

Please feel free to contact me if you have questions.

Sincerely,
Carol Stiffler

Response Letter

Response Letter Status Submitted to State
Response Letter Date 04/04/2008
Submitted Date 04/04/2008

Dear Carol Stiffler,

Comments:

Response 1

Comments: Attached are the rules in PDF format.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

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Rate/Rule Schedule Item Changes

Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing #
Rules		Replacement	
Previous Version			
Rules		Replacement	
Rules		Replacement	

Sincerely,
Linda Greer

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Product Name: Large Deductible Rating Program
Project Name/Number: 08-0217-AR124/08-0217-AR124

Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 04/02/2008

Submitted Date 04/02/2008

Respond By Date

Dear Linda Greer,

This will acknowledge receipt of the captioned filing.

In Arkansas, you can't submit rates/rules and forms in the same filing. You have added a form to this rule filing which can't be approved as part of the rule filing. On March 19, 2008 you filed a form filing (STLR-125540438) on large deductibles which has been approved. If you don't want to make a new separate filing, I can reopen the form filing and you can add the form to it. I have reviewed that form and can approve it as part of the STLR-125540438 form filing.

For some reason, a response to the Objection Letter is not showing up on the Filing Correspondence tab. It appears that it was attached to the Supporting Documentation tab. On our side of a SERFF filing, this causes a problem. It leaves an objection open with no corresponding response and while the SERFF status changes to Pending State Action, we won't know why it changed unless we start going through the whole filing searching for changes. On future filings, please answer the objection letter. You can attach things either to the objection letter or attach them to whatever tab corresponds but the letter needs show up as a response to an objection.

Please feel free to contact me if you have questions.

Sincerely,
Carol Stiffler

Response Letter

Response Letter Status Submitted to State

Response Letter Date 04/02/2008

Submitted Date 04/02/2008

Dear Carol Stiffler,

Comments:

SERFF Tracking Number: *STLR-125555508* *State:* *Arkansas*
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Company Tracking Number: *08-0217-AR124*
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Product Name: *Large Deductible Rating Program*
Project Name/Number: *08-0217-AR124/08-0217-AR124*

Response 1

Comments: As instructed, I have submitted endorsement #WC 99 06 71 into our corresponding form filing.

Changed Items:

No Supporting Documents changed.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Sincerely,
Linda Greer

SERFF Tracking Number: STLR-125555508 State: Arkansas
First Filing Company: Manufacturers Alliance Insurance Company, ... State Tracking Number: #426035 \$50
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Product Name: Large Deductible Rating Program
Project Name/Number: 08-0217-AR124/08-0217-AR124

Objection Letter

Objection Letter Status Pending Industry Response

Objection Letter Date 03/19/2008

Submitted Date 03/19/2008

Respond By Date

Dear Linda Greer,

This will acknowledge receipt of the captioned filing.

Attached is Bulletin 17-99 which deals with workers' compensation large deductible programs. The program as filed does not comply with the following requirements shown in the Bulletin.

#1 (Bulletin 17-99) All available deductibles must be displayed in the rules manual. You indicate that they start at \$25,000 but do not show the other deductibles.

#2 (Bulletin 17-99) The filing must contain a description of the financial assurance the carrier intends to require.

#8 (Bulletin 17-99) The program does not clearly state that all claims, beginning with the first dollar, will be paid by the carrier. It doesn't state that the policy will be cancelled for nonpayment of premium if the insured fails to reimburse timely for the amount of the deductible.

Please note that all rates for workers' compensation in Arkansas must be filed. If you are using a Large Risk Alternative Rating Option, the rates must be filed. If the insured and insurer "mutually agree" on rates that are not already filed, then you must make an individual risk filing.

The filing fee submitted with this rate filing was \$50 but should have been \$100. However, you overpaid on the corresponding form filing so I have accepted both of them. The total amount for both filings should be \$150 and you overpaid by \$25. I've attached a copy of the fee schedule for your future filings. Please feel free to contact me on future filings if you aren't sure what the correct fee is.

Please feel free to contact me if you have questions.

Sincerely,

Carol Stiffler



**ARKANSAS INSURANCE DEPARTMENT
LEGAL DIVISION**

1200 West Third Street
Little Rock, AR 72201-1904
501-371-2820
FAX 501-371-2629

BULLETIN 17-99

December 13, 1999

TO: ACCOUNTING AND UNDERWRITING DEPTS. OF WORKERS' COMPENSATION
INSURERS

FROM: ARKANSAS INSURANCE DEPARTMENT

**GUIDELINES FOR IMPLEMENTATION OF "LARGE DEDUCTIBLE" WORKERS COMPENSATION
PROGRAMS**

Under the provisions of Ark. Code Ann. §23-67-219, this Department has the authority to approve or disapprove "rating plans" of carriers as they relate to workers compensation and employers liability insurance. This authority over rating plans includes the right to approve or to disapprove large deductible workers' compensation programs.

Following are the criteria or "guidelines" that the Property and Casualty Division will apply in reviewing such filings by rate service organizations or by individual workers' compensation carriers, viz:

1. Deductibles may be offered in such amounts and ranges as the carrier may desire and for which it obtains approval from the Department. All available deductibles must be displayed in the rules manual.
2. Carriers must make a reasonable financial examination of the employer desiring a large deductible program by requiring a financial statement acceptable to the insurer of the employer's most recently completed fiscal year in order to determine whether the employer is fiscally sound and responsible enough to bear the economic burdens of such a program. A follow-up financial examination must be performed before any such program may be renewed beyond the initial term. No term may exceed one year. The filing must contain a description of the financial assurance the carrier intends to require.
3. Carriers must receive irrevocable financial guarantees of indubitable value and unquestionable right of recourse. Such guarantees must be provided by the employer and placed under the sole control of the carrier in a sum equal to no less than *three* months of the carrier's *bona fide*, reasonable anticipated claim exposure posed by the particular risk. The financial guarantee must consist of:
 - (i) cash;
 - (ii) securities designated by the securities Valuation office of the National Association of Insurance Commissioners as Class 1 or Class 2;
 - (iii) an irrevocable letter of credit from a State or Federally-chartered banking institution that is insured by the Federal Deposit Insurance Corporation, which said banking institution may not have any affiliation or common ownership with the employer risk; or
 - (iv) certificates of deposit issued by banking institutions as delimited above, which said certificates must either be issued in the name of the carrier or be properly endorsed and assigned to the carrier.
4. The minimum premium requirement for program eligibility shall be shown in the submission .
5. If the ratings procedure to be used by the carrier is to be translated into tabular values to assist underwriters, that table must be submitted to the Department as well.
6. The program shall set forth precisely how the premium shall be calculated.

7. The deductible amount shall be prominently set forth on the policy declaration page.
8. The program, and each policy issued thereunder must clearly state that all claims, beginning with the first dollar, will be paid by the carrier and that the employer shall reimburse the carrier for all amounts within the deductible no later than thirty (30) days from the billing therefor.

Since failure to reimburse deductible amounts has the same effect as not paying premium, the carrier shall issue a ten (10) day notice of cancellation *of the policy* as required by Ark. Code Ann. §11-9-408(b)(2) if any employer does not re-pay any sums within the deductible within the required period. The carrier may *not* apply any part of the deposit discussed in paragraph 3 above to the payment of premium or the reimbursement of deductible.

9. The program and policies must clearly state that the carrier shall handle and administer all claims even within the deductible amount and that the carrier will be responsible to and have the right to defend all claims, even within the deductible amount.
10. The program and policies issued thereunder must specifically state that *all claims* must be reported and paid by the carrier regardless of the amount thereof.
11. All traditional premium and claim statistical reporting will be made to the National Council on Compensation Insurance on these policies just as it is on all other workers compensation policies.
12. It has come to our attention that there has been some confusion on how workers' compensation premiums are to be reported on "Schedule WC --Computation Of Annual Workers' Compensation Commission Taxes" included in your Annual Statement packet. The definition of Written Manual Premium given on this form was written in 1983 before many of the changes common to workers' compensation programs were implemented. We want to clarify this definition for today's users.

The definition on Schedule WC is: "Written manual premium shall mean premium produced in given year by the manual rates in effect during the experience period and shall exclude the premium produced by the expense constant. Further, written manual premium for the purpose of this law means premium before any allowable deviated discounts, any experience rating modification, any premium discount, any reinsurance or deductible arrangement as common with fronting carrier, any dividend consideration or other trade discount."

Written manual premium is the premium calculated by using the **[payroll divided by 100] multiplied by the company's filed rates** (not loss costs). It does **not** include expense constants, or any other modification (experience modifiers, credits, debits, deductibles, etc).

EXAMPLE

Payroll	=	\$90,000
Rate	=	1.50
$\frac{\$90,000}{100} \times 1.50 = \$1,350$		

Any questions regarding this Bulletin or the implementation of a large deductible program shall be directed to either Carol Stiffler at 501-371-2807 or by E-mail at carol.stiffler@mail.state.ar.us.

MIKE PICKENS
INSURANCE COMMISSIONER
STATE OF ARKANSAS

SERFF Tracking Number: *STLR-125555508* *State:* *Arkansas*
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Company Tracking Number: *08-0217-AR124*
TOI: *16.0 Workers Compensation* *Sub-TOI:* *16.0004 Standard WC*
Product Name: *Large Deductible Rating Program*
Project Name/Number: *08-0217-AR124/08-0217-AR124*

Attachment "FEE SCHEDULE FOR PROPERTY 2-7-00.doc" is not a PDF document and cannot be reproduced here.

SERFF Tracking Number: STLR-125555508 State: Arkansas

First Filing Company: Manufacturers Alliance Insurance Company, ... State Tracking Number: #426035 \$50

Company Tracking Number: 08-0217-AR124

TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC

Product Name: Large Deductible Rating Program

Project Name/Number: 08-0217-AR124/08-0217-AR124

Form Schedule

Review Status	Form Name	Form #	Edition Date	Form Type Action	Action Specific Data	Readability	Attachment
Approved	Arkansas Deductible Reimbursement Supplemental Endorsement	WC 99 06 71	07/08	Endorsement/Amendment/Conditions	New		WC 99 06 71.pdf

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ARKANSAS DEDUCTIBLE REIMBURSEMENT SUPPLEMENTAL ENDORSEMENT

This endorsement supplements the Deductible Premium Endorsement WC 99 06 23A identified in the schedule.

We will pay all claims, beginning with the first dollar, and You will reimburse Us for all amounts within the deductible limit no later than thirty (30) days from the billing thereof.

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.

(The information below is required only when this endorsement is issued subsequent to preparation of the policy.)

Endorsement Effective
Insured

Policy No.

Endorsement No.
Premium \$

Insurance Company

Countersigned by _____

<i>SERFF Tracking Number:</i>	<i>STLR-125555508</i>	<i>State:</i>	<i>Arkansas</i>
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Rate Information

Rate data does NOT apply to filing.

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Approved	Filing Memo		Replacement	Large Deductible Filing Memo.pdf
Approved	Rules		Replacement	Program rules-AR1.pdf
Approved	Actuarial Explanatory Memo		Replacement	Large Deductible Actuarial Explanatory Memo.pdf
Approved	Exhibit		Replacement	Large Deductible Exhibit.pdf

LARGE DEDUCTIBLE RATING PROGRAM

FILING MEMORANDUM

Effective July 1, 2008

We are submitting revisions to our Workers' Compensation Large Deductible Program and withdrawing the program currently approved by your Department for Pennsylvania Manufacturers' Association Insurance Company (PMA). At this time, we are also filing to adopt this revision as an initial Large Deductible Program filing for our two companies Manufacturers Alliance Insurance Company (MAICO) and Pennsylvania Manufacturers Indemnity Company (PMI).

The purpose of this filing is to enhance our current Workers Compensation Large Deductible Program to provide additional risk management flexibility for our customer's who qualify to purchase this program. This enhancement allows our large customers to tailor a Large Deductible Program that fits their needs and financial capabilities. The Workers Compensation Large Deductible Program provides large employers with the opportunity to retain more financial risk while saving premium dollars. The program also increases the incentive to employers to focus on reducing workplace injuries and improving workplace safety. Coverage is provided in our Pennsylvania Manufacturers' Association Insurance Company (PMA), Pennsylvania Manufacturers' Indemnity Company (PMI) and Manufactures Alliance Insurance Company (MAICO). The following items are revised effective July 1, 2008:

Deductible Amounts

The deductible amount is now \$25,000 and higher.

Large Risk Alternative Rating Option

As an alternative to the Rating Structure, the insurer and the insured may, at their option, mutually agree to rating based upon insured's prior loss history and risk characteristics rather than on industry averages basis. This feature may only be offered when the risk is priced under the LRARO rule approved in the state.

WC 99 06 23A Deductible Reimbursement Endorsement

Attach to all Large Deductible policies. This endorsement is used to provide deductibles to policyholders for benefits payable under the policy. It contains a schedule of the deductible amount for each occurrence, each employee and the aggregate deductible amount. It also contains a schedule of the administrative fee as well as the rate per hundred dollars of payroll for the deductible premium and aggregate deductible, if applicable.

The form has been revised to improve the contractual language to be more clear and understandable. Additionally, the following changes have been made:

1. Opening paragraph revised – removed reference to specific coverages so that it is clear that the deductible applies to “all” insurance provided by the policy.
2. Old Paragraph 2 removed – not necessary as deductible credit factors appear on the supplemental declarations pages

3. Old Paragraph 3 moved, now under deductible schedule and relabeled as Paragraph 5. Added sentence to new Paragraph 5 clarifying that the handling fee does not reduce the deductible limits.
4. Paragraph 4 reworded to be more clear and understandable.
5. New Paragraph 6 added – wording identical to the “ Large Deductible Adjustable Aggregate” endorsement, no. WC99 06 36. With this addition WC99 06 36 is no longer needed.
6. New Paragraph 6 added – wording for when the Large Deductible premium is based on a rate per \$100 of payroll.
7. Old Paragraph 7. How This Deductible Applies renumbered to new Paragraph 7. Wording changes:
 - a. Removed first sentence to avoid confusion
 - b. Added paragraph a.4 – same wording that was previously in the definitions paragraph, content better applies to the subject header of new Paragraph 9.
8. Old Paragraph 8 – the definition of “ Allocated loss adjustment expense” is revised to state “ as defined within the statistical plan approved by the state having jurisdiction of the claim.” There are no other changes in wording. As previously stated, the second paragraph of b.2 was moved to paragraph 7 section a.4.
9. New Paragraph 10a. – replaced wording of both paragraphs. Old wording applied recoveries on a pro-rata basis between insured and company. New wording applies recoveries from top down on the claim, first to company expenses and loss payments, then to the insured’ s person. 10 b., c. & d, reworded to be more clear and understandable.
10. New Paragraph 10e. added – nonpayment cancellation clause added for failure of the insured to pay loss reimbursements, provide collateral, or execute the security agreement.

LARGE DEDUCTIBLE RATING PROGRAM

Arkansas

Effective July 1, 2008

1. Premium Eligibility Requirements

Accounts with estimated standard premium of \$100,000 or more for all states subject to the plan

2. Deductible Amounts

\$25,000 and higher – See Appendix – Deductible Amounts

3. Rating Structure

Rating values are those contained in our currently filed Retrospective Rating Plan:

- Hazard Group Differentials
- Tax Multiplier (less any Loss Based Assessments)
- Expected Loss Ratio
- Table of Expected Loss Ranges
- Excess Loss Factors
- Excess Loss & ALAE Factors

4. WC 99 06 23A Deductible Reimbursement Endorsement

Attached to all Large Deductible policies

5. WC 99 06 71 Deductible Reimbursement Supplemental Endorsement

Attached to all Large Deductible policies

6. Loss Reporting & Unit Statistics

The insurance company will continue all filing requirements

All losses must be reported to the insurance carrier. Regardless of the reimbursements made, the insurance company must report all losses to NCCI in accordance with all statistical reporting regulations not limited to unit statistics and other reporting and financial calls such as NCCI Aggregate Financial Calls and Detail claim Information Calls. The insurance company must also comply with maintaining data on Standard Premium at NCCI Level for reporting or financial calls.

7. Combinability of Insureds

A single deductible reimbursement rating plan cannot be applied to a combination of entities that are not also combinable in accordance with the NCCI Experience Rating plan.

8. Large Risk Alternative Rating Option

When using this pricing methodology, individual risk filings will be made in any and all states requiring such filings.

9. Financial Considerations

Applicants for this rating plan will be evaluated for their financial ability to pay losses within the deductible by our financial department both before accepting a new applicant and at each 12 month renewal of a rating plan. We require financial guarantees of indubitable value and unquestionable right of recourse for a sum equal to no less than three months of PMA's *bona fide* and reasonable anticipated claim exposure posed by the particular risk. The financial guarantee mechanisms to insure that funds are available from the insured to pay the deductible portion of losses are:

- a. Cash.
- b. An irrevocable letter of credit from a State or Federally-chartered banking institution that is insured by the Federal Deposit Insurance Corporation, which said banking institution may not have an affiliation or common ownership with the employer risk.

Large Deductible Rating Plan – Appendix – Deductible Amounts

DEDUCTIBLE AMOUNTS

\$25,000
\$30,000
\$35,000
\$40,000
\$50,000
\$75,000
\$100,000
\$125,000
\$150,000
\$175,000
\$200,000
\$225,000
\$250,000
\$275,000
\$300,000
\$325,000
\$350,000
\$375,000
\$400,000
\$425,000
\$450,000
\$475,000
\$500,000
\$600,000
\$700,000
\$800,000
\$900,000
\$1,000,000
\$2,000,000

LARGE DEDUCTIBLE RATING PROGRAM
ACTUARIAL EXPLANATORY MEMORANDUM

Proposed Effective Date: July 1, 2008

CALCULATION OF EXCESS LOSSES & ALAE

1. Approved Retrospective Rating Plan Expected Loss Ratio & ALAE (ELR w/ ALAE).
2. Account's Loss & ALAE Ratio based on past experience
3. Account's Credibility Weighted Loss & ALAE = Expected Loss Ratio w/ ALAE x (1- Credibility Factor) + Account Specific Loss & ALAE Ratio x Credibility Factor
4. Expected Excess Loss and ALAE = Approved Expected Excess Loss & ALAE Premium Factor x Standard Premium
5. Expected Deductible Loss & ALAE = Total Expected Loss & ALAE - Expected Excess Loss & ALAE

CALCULATION OF AGGREGATE CHARGE

1. Loss Elimination Ratio = Approved Excess Loss & ALAE Premium Factor ÷ Expected Loss and ALAE Ratio
2. Loss Group Adjustment Factor = (1.0 + (.8 x Loss Elimination Ratio)) ÷ (1.0 - Loss Elimination Ratio)
3. Adjusted Losses for Table M Loss Group = Standard Premium x Expected Loss & ALAE Ratio x Approved Hazard Group Differential x Loss Group Adjustment Factor
4. Entry Ratio into Table M = (Loss & ALAE Aggregate Limit ÷ Expected Deductible Losses w / ALAE)
5. Table M Charge = Based on the calculated Entry Ratio and the Expected Loss Group based on the Approved Table of Expected Loss Groups
6. Loss & ALAE Aggregate Charge = Table M Charge x Expected Deductible Loss & ALAE.

CALCULATION OF FIXED EXPENSES

1. Subtotal = (Exact Commission to Broker) + (Gradated General & Other Acquisition Expense Dollars)
2. ULAE = Approved ULAE Provision x Applicable Expected Loss & ALAE
3. Tax Rate = 1 - (1.0 ÷ Approved Tax Multiplier)
4. Tax Provision = Tax Rate x Discounted Premium
5. Total Fixed Expense = Subtotal + ULAE + Tax Provision

CALCULATION OF VARIABLE EXPENSE RATIO

1. Variable Expense Ratio = Profit and Contingencies Net of Investment Income

CALCULATION OF DEDUCTIBLE PREMIUM

1. Deductible Premium = (Excess Loss & ALAE + Aggregate Charge & ALAE + Fixed Expense) ÷ (1.0 - Variable Expense Ratio)
2. Deductible Premium Credit = 1.0 - (Deductible Premium ÷ Discounted Premium)

Large Deductible Rating Program
Loss and ALAE Deductible with Aggregate Option
Effective July 1, 2008

A. <u>Account Details</u>		
1. State		XX
2. Policy Effective Date		3/1/2008
3. Standard Premium		1,000,000
4. Deductible Limits(Loss & ALAE)		
a. Per Occurrence		500,000
b. Aggregate Attachment		1,500,000
5. Hazard Group		II
6. ULAE Charge Shown on Endorsement		0.0%
7. Account's Expected Loss and ALAE		650,000
B. <u>Expected Excess Loss & ALAE</u>		
1. ELR w/ALAE	Retro Plan	69.8%
2. Account's Expected Loss Ratio w/ALAE	(A7) / (A3)	65.0%
3. Credibility	$[(A3) / 6,000,000]^{.5}$	40.8%
4. Account's Credibility Wgtd Loss and ALAE Ratio	$[(B3) * (B2)] + [(1 - (B3)) * (B1)]$	67.8%
5. Total Expected Loss & ALAE	(B4) * (A3)	678,404
6. Approved ELPF for Loss & ALAE	Retro Plan based on (A5) & (A4a)	10.6%
7. Expected Excess Loss & ALAE	(A3) * (B6)	106,000
8. Expected Deductible Loss & ALAE	(B5) - (B7)	572,404
C. <u>Aggregate Insurance Charge (AIC)</u>		
1. State Hazard Group Relativity	NCCI Approved State Differential	1.520
2. Loss Elimination Ratio	(B6) / (B1)	0.152
3. Loss Group Adjustment Factor	$(1 + (.8 * (C2))) / (1 - (C2))$	1.322
4. Adjusted Losses for Table M Loss Group	(A3) * (B1) * (C1) * (C3)	1,402,905
5. Table M Expected Loss Group	Retro Plan based on (C4)	27
6. Entry Ratio in Table M	(A4b) / (B8)	2.62
7. Table M Charge	Based on (C5) and (C6)	5.2%
8. Loss & ALAE Aggregate Charge	(C7) * (B8)	29,765
D. <u>Fixed Expenses</u>		
1. Commission	(Exact \$ to broker)	44,616
2. General and Other Acq Expense	From Table	106,850
3. Discounted Premium	Based on Table	892,310
4. Subtotal	(D1) + (D2)	151,466
5. ULAE Provision	Approved ULAE Provision	8.9%
6. ULAE Subtotal	D5 x Applicable Loss	60,378
7. Total Fixed Cost	(D4) + (D6)	211,843
E. <u>Variable Expenses</u>		
1. Tax Multiplier	Retro Plan	1.031
2. Tax Rate	$\{(E1) - 1\} / (E1)$	3.0%
3. Profit and Contingencies Net of Inv Income	-10% to +10%	0.00%
4. Total Variable Expense Load	(E2) + (E3)	3.0%
F. <u>Deductible Premium</u>		
1. Excess Loss and ALAE	(B7)	106,000
2. Aggregate Charge	(C8)	29,765
3. Fixed Expenses	(D7)	211,843
4. Subtotal	(F1) + (F2) + (F3)	347,608
5. Variable Expense	(E4)	3.0%
6. Deductible Premium prior to Schedule Rating	$(F4) / (1 - (F5))$	358,384
7. Schedule Rating	+25% to -25%	0.0%
8. Deductible Premium	$[1 + (F7)] * (F6)$	358,384
9. Deductible Credit	$1 - \{(F8) / (D3)\}$	59.8%

Premium	Gradated Expenses
First 10,000	21.5%
Next 190,000	13.0%
Next 1,550,000	10.0%
Over 1,750,000	7.5%

SERFF Tracking Number: STLR-125555508 State: Arkansas
First Filing Company: Manufacturers Alliance Insurance Company, ... State Tracking Number: #426035 \$50
Company Tracking Number: 08-0217-AR124
TOI: 16.0 Workers Compensation Sub-TOI: 16.0004 Standard WC
Product Name: Large Deductible Rating Program
Project Name/Number: 08-0217-AR124/08-0217-AR124

Supporting Document Schedules

	Review Status:	
Satisfied -Name: Uniform Transmittal Document-Property & Casualty	Approved	04/03/2008

Comments:

Attachment:

P & C Tran doc. (Program).pdf

	Review Status:	
Bypassed -Name: NAIC Loss Cost Filing Document for Workers' Compensation	Approved	04/03/2008

Bypass Reason: not applicable

Comments:

	Review Status:	
Bypassed -Name: NAIC loss cost data entry document	Approved	04/03/2008

Bypass Reason: not applicable

Comments:

	Review Status:	
Satisfied -Name: Response Letter	Approved	04/03/2008

Comments:

Attachment:

Response Letter.pdf

Property & Casualty Transmittal Document

1. Reserved for Insurance Dept. Use Only	2. Insurance Department Use only	
	a. Date the filing is received:	
	b. Analyst:	
	c. Disposition:	
	d. Date of disposition of the filing:	
	e. Effective date of filing:	
	New Business	
	Renewal Business	
	f. State Filing #:	
	g. SERFF Filing #:	
h. Subject Codes		

3. Group Name	The PMA Insurance Group				Group NAIC #	0767
4. Company Name(s)	Domicile	NAIC #	FEIN #	State #		
Pennsylvania Manufacturers Association Insurance Company (PMAIC)	PA	12262	23-1642962			
Manufacturers Alliance Insurance Company (MAICO)	PA	36897	23-2217934			
Pennsylvania Manufacturers Indemnity Company (PMIC)	PA	41424	23-2086596			

5. Company Tracking Number	08-00217-AR124
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Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6. Name and address	Title	Telephone #s	FAX #	e-mail
Linda R. Greer	Product Analyst	1800 222 2749	610 397 5100	linda_greer@pmagroup.com
7. Signature of authorized filer				
8. Please print name of authorized filer		Linda R. Greer		

Filing information (see General Instructions for descriptions of these fields)

9. Type of Insurance (TOI)	16.0 Workers Compensation			
10. Sub-Type of Insurance (Sub-TOI)	16.0004 Standard WC.			
11. State Specific Product code(s)(if applicable)[See State Specific Requirements]				
12. Company Program Title (Marketing title)	Workers' Compensation Large Deductible Rating Program			
13. Filing Type	<input type="checkbox"/> Rate/Loss Cost <input checked="" type="checkbox"/> Rules <input type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)			
14. Effective Date(s) Requested	New:	07/01/2008	Renewal:	07/01/2008
15. Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
16. Reference Organization (if applicable)				
17. Reference Organization # & Title				
18. Company's Date of Filing				
19. Status of filing in domicile	<input type="checkbox"/> Not Filed <input checked="" type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved			

Property & Casualty Transmittal Document—

20.	This filing transmittal is part of Company Tracking #	08-0217-AR124
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21.	Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]
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At this time, Pennsylvania Manufacturers' Association Insurance Company (NAIC #12262) Manufacturers Alliance Insurance Company (NAIC #36897) and Pennsylvania Manufacturers Indemnity Company (NAIC #41424), members of The PMA Insurance Group, submit its Large Deductible Rating Program. It is our intention to implement this program on workers' compensation policies effective on or after July 1, 2008.

Attached for your review are the following:

- Large Deductible Rules
- Actuarial Explanatory Memorandum
- Filing Memorandum
- Large Deductible Exhibit

A copy of Deductible Reimbursement Endorsement #WC 99 06 23A has been filed under separate cover.

22.	Filing Fees (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below]
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Check #: 426035
Amount: \$50.00

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

*****Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)**

RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #	08-0217-AR124
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2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	08-0216-AR124
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☐ Rate Increase ☐ Rate Decrease ☒ Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	Prior Approval
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4a. Rate Change by Company (As Proposed)							
Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)
PMAIC	None	None	None	4	99,972	None	none
MAICO	None	None	None	None	None	None	none
PMIC	None	None	None	None	None	None	none

4b. Rate Change by Company (As Accepted) For State Use Only							
Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

5. Overall Rate Information (Complete for Multiple Company Filings only)			
		COMPANY USE	STATE USE
5a	Overall percentage rate indication (when applicable)	Not applicable	
5b	Overall percentage rate impact for this filing	Not applicable	
5c	Effect of Rate Filing – Written premium change for this program	Not applicable	
5d	Effect of Rate Filing – Number of policyholders affected	Not applicable	

6.	Overall percentage of last rate revision	
7.	Effective Date of last rate revision	
8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	

9.	Rule # or Page # Submitted for Review	Replacement or withdrawn?	Previous state filing number, if required by state
01	Large Deductible Rating Rules	[] New [X] Replacement [] Withdrawn	
02	Large Deductible Exhibits	[] New [X] Replacement [] Withdrawn	
03		[] New [] Replacement [] Withdrawn	

April 1, 2008

Carol Stiffler
Arkansas Department of Insurance
1200 West Third Street
Little Rock, Arkansas 72201-1904

Re: Workers' Compensation Large Deductible Rating Program
Effective July 1, 2008
Company File #08-0217-AR124
SERFF Tracking Number: STLR-125555508

Dear Ms. Stiffer:

In response to your letter dated March 19, 2008, we submit these changes to our filing to bring it into compliance with Bulletin 17-99.

1. Please see the revised Rating Program document. It incorporates the list of deductibles that are available under the large deductible rating program.
2. Please see the revised Rating Program document. We have stated explicitly the financial review we require from applicants and the specific financial guarantees we require.
3. Please see endorsement WC 990671 (07/01/2008 edition). We would like to use this endorsement to supplement the intent of WC 990623A to explicitly clarify our intent to comply with the requirements of Bulletin 17-99.

However, we believe that endorsement WC 990623A complies with Bulletin 17-99 by itself. The first paragraph states that the deductible agreement does not change the rights of claimants against the insurer (PMA) thereby encompassing and guaranteeing their rights that PMA pay all claims from the first dollar as required by the workers' compensation policy to which the endorsement is attached. The endorsement also requires that all claims be reported promptly to us and that the rating plan itself is on a reimbursement basis, meaning that PMA pays first & then recovers reimbursement from the employer. Also, in section 10 – Conditions, we affirmatively state that both the employer's and PMA's rights and obligations under the workers' compensation policy remain in full force except as specifically changed in the rating plan endorsement. Nothing in the plan changes PMA's obligation to pay claims from the first dollar.

While these endorsement clauses use broad language encompassing many contractual aspects, we believe that the rating plan endorsement clearly obligates PMA as the insurer to pay claims from the first dollar without an explicit statement identifying that one aspect. We will use the supplemental endorsement WC 990671 for clarification.

4. Please refer to Section 10.e of endorsement WC 990623A in which specify that we may cancel the policy as if for premium should the employer fail to reimburse us for amounts within the deductible limit. This clause complies with item #8 of Bulletin 17-99.
5. Please see the revised Rating Program document. We note that we must make an individual risk filing when we and an employer mutually agree on rates that are not otherwise filed.

If you have any questions, our toll free number, 1-800-222-2749, is available for your use.

Sincerely,

Linda R. Greer
Workers' Compensation Product Analyst
linda_greer@pmagroup.com
(610) 397-5226